



TELECOMMUNICATIONS MARKET SNAPSHOT: HONG KONG

Key Statistics

Population	7,089,705 (2010)
GDP	\$323.3 billion (2010)
Per capita GDP	\$45,600 (2010)
Main lines	4.188 million (2009)
Teledensity	59% (2008)
Mobile subscribers	12.207 million (2009)
Mobile penetration	166% (2010)
Internet users	4.973 million (2009)
Internet penetration	67% (2008)
Broadband subscribers	1,962,514 (2008)
Spending on telecom equipment and services	\$4,391.4 million (2010)
U.S. equipment exports to market	\$723,891,794 (2010)

Sources: CIA World Factbook, USITC, WB, and Worldwide Black Book

Market Overview

Hong Kong has been a leader in Asia in liberalizing its telecommunications market that now is very competitive. Competition in cellular telephony began in 1985, and fixed network services were liberalized in 1995. The provision of international voice telephony was opened to competition in 1998. International simple resale and Internet telephony are also allowed. The corporate sector is a heavy user of telecommunications services, while consumers, although a limited population, are eager to subscribe to the latest advanced services. Further growth in the number of players may be limited by the high penetration rates already achieved. Future growth in revenues may come from increased use of broadband access and new mobile data applications and services. Hong Kong for years has exported telecom equipment, although some firms have shifted production to the mainland.

Networks

Hong Kong has multiple wireline and wireless networks in operation: five mobile network operators; nine wireline-based local fixed telecom network service operators; one wireless-based local fixed telecom network service operator; six external satellite-based fixed network service operators; and 19 cable-based external fixed telecom network service operators. In addition, there are 190 Internet service providers (ISPs).

Of the 4.188 million main telephone lines, all are digital, and 56 percent of the total are residential main lines. All cellular networks are digital. Advanced wireless services are now offered over third generation (3G) networks. Even though multiple networks already cover this small geographical entity and the market appears close to saturation, equipment vendors have made recent sales for 3G network infrastructure and in support of value-added data services.

Telecom Service Providers

PCCW

The majority owner of the former monopoly, Hong Kong Telecom, is Pacific Century CyberWorks (PCCW) that bought more than 50 percent of the company from Cable & Wireless in 2000. Although still the leading provider of telecom services, PCCW's share of the market has fallen below 70 percent, and the company has asked OFTA to remove its status as a dominant carrier. PCCW is no longer in the mobile business, and in early 2005 sold 20 percent of its shares to China Netcom. It plans to form alliances with China Netcom to provide broadband and enterprise services in southern China. PCCW Mobile controls 11.7% of the 2G and 3G mobile market as of December 2009.

In the local market, PCCW faces competition from Hutchison Global, New T&T, New World Telephone, and City Telecom. These firms and others (MTR Corp., Cheung Kong Holdings, I-CABLE) also compete in the Chinese long distance and the international services market. In the broadband Internet market, PCCW faces competition from cable broadband carriers like I-CABLE and alternative last-mile fixed wireless providers.

Hutchison Global Communications (HCG)

Hutchison Whampoa Ltd bought out Global Crossing's stake in Hutchison Global Crossing in 2002 and was renamed Hutchison Global Communications. It is part of Hutchison Whampoa's Hutchison Telecom International group. HCG offers a full range of telecom services (both residential and commercial), broadband Internet services, IP telephony and pay-TV services (with Galaxy Satellite Broadcasting). HCG also offers international connectivity through its undersea fiber optic cable system.

Mobile Service Providers

Mobile services are provided by CSL New World (formerly Hong Kong Telecom, now controlled by Telstra); Hutchison (providing services under its operating brand, Orange, and the largest 3G player); Peoples (main shareholder is China Resources); SmarTone (provides a full range of wireless communications services and is one of the larger 2G players); and Sunday that intends to launch 3G services with the help of its shareholder Huawei Technologies. Given market saturation, 3G services have provided new growth. Hutchison, CSL New World, PCCW and SmarTone have launched 3G services, while Peoples, without 3G licenses, may become a take-over target in Hong Kong's crowded mobile market.

The government decided in 2004 to grant the holders of the nine incumbent GSM and PCS licenses new Mobile Carrier Licenses to ensure the continuity of their mobile services to the public. Although no new licenses will be granted to the TDMA and CDMA operators upon their expiry in 2005, their licenses will be extended for 3 years to ensure a smooth migration of their subscribers to other networks.

Office of the Telecommunications Authority (OFTA)

OFTA was established in 1993 and is the statutory body responsible for regulating the telecommunications industry in Hong Kong. The main duties of OFTA cover economic and technical regulation of telecommunications services, enforcement of fair competition in the telecommunications sector and management of radio frequency spectrum.

OFTA has said it will award at least 7 broadband wireless access (BWA) licenses at auction in 2006. It plans to conduct a review of the fixed and mobile convergence and its impact on the existing regulatory framework. OFTA will examine the current one-way fixed/mobile interconnection charge structure and the technical feasibility and cost-benefits of implementing fixed/mobile number portability. OFTA will also consider the need for a new carrier license that would allow a licensee to offer various mobile, fixed or nomadic network services.

Telecom Trade Agreements

Hong Kong undertook WTO trade obligations for domestic value-added services during the Uruguay Round and for basic telecommunications services in February 1998. Most of the limitations on market access Hong Kong placed in its WTO schedule have since been removed by newer domestic policies and regulations. Hong Kong also adopted the pro-competitive Reference Paper.

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